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The Drag on Sino-U.S. Trade

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Let the debate continue over the best way to stop the Soviet Union and its allies from obtaining our advanced technology. Although very complicated, export controls are important, and should be pursued even at the cost of annoying those of our allies who sometimes seem willing to sell Moscow almost anything if the price is right.

But if we are willing to fight for the export controls that protect our vital interests, we should also be willing to change ones that don't. The export control system is damaging U.S. interests in China. It is time to separate China, once and for all, from the anachronisms of a system aimed at the Soviet bloc.

This is not to say that China should be freed of all export controls, of course. Many advanced technologies constitute a vital part of our national security and are rightly available only to our allies. No one is suggesting that such state-of-the-art items be sold to China. But consider what is happening under the present system:

- Those in Washington responsible for keeping technology from reaching the Soviet bloc instead spend most of their time reviewing the rapidly growing number of requests to sell items to China.

- Not only does the international part of the system—the Coordinating Committee, or COCOM—now spend the overwhelming percentage of its time reviewing applications for China, it doesn't even review exports to two of the Soviet Union's closest allies, Cuba and Vietnam.

If the system is so obviously outmoded, why isn't it changed? Because the U.S. bureaucracy fears that any attempt at a major overhaul might undo the whole structure aimed at Moscow.

'Triangular Relationship'

I do not reach these conclusions lightly, having seen the system from both sides. As assistant secretary of state for East Asian and Pacific affairs under President Carter, I participated heavily in the evolution of our policy on technology transfers to China.

It may seem like hopelessly ancient history now, but in those distant pre-Afghanistan days, the Nixon, Ford and Carter administrations attempted to calibrate technology sales to China with one eye on how such sales would affect U.S.-Soviet relations. Some who worked on U.S.-Soviet policy thought that high-tech sales to China would undo the entire delicate balance in the Sino-Soviet-American "triangular relationship" of the 1970s. Whether intentional or not, they were suggesting that our policy toward China become hostage to our relations with the Soviet Union.

But after a bitter internal debate, Mr. Carter rejected this approach. And by the time he left office, the policy of offering China technology that would not be made available to the Soviet Union was firmly in place. Unfortunately, the change in policy was not fully implemented.

This is not intended, I should emphasize, as a partisan criticism by a member of one administration against its successor. What dismays me now is the realization that even under President Carter, the bureaucracy failed to streamline the process as instructed by the president.

My senior colleagues and I were insufficiently aware of this at the time because whenever a case came to our direct attention, we would force it through the system fairly rapidly. Meanwhile, most routine applications were moving very slowly through an unresponsive system.

In 1983, after the delicate task of getting the Taiwan issue back on track was completed, Mr. Reagan not only reaffirmed Mr. Carter's policy on technology but went substantially further, opening up to the Chinese vast new areas of technology and even military equipment.

The political climate in which President Reagan made these decisions was quite different. Opposition to exports to China now came from those who still viewed China as a long-run threat to the U.S. by virtue of ideology and history, as well as from supporters of Taiwan.

The turning point in policy had come during Commerce Secretary Malcolm Baldrige's trip to China in 1983. High-level trips have often been the catalyst in Sino-American relations. Mr. Baldrige realized that the logjam threatened the whole relationship with China, including the presidential trip that Mr. Reagan hoped for in 1984. Over secure telephone lines during his stopover in Tokyo, Mr. Baldrige, with the support of George Shultz, got authority to tell the Chinese that Washington would put them in a more liberal category and work to streamline COCOM.

Within weeks, the entire tone of Sino-American relations had improved dramatically. But the bureaucracy was unprepared for Mr. Reagan's relaxation of controls and the liberalization of China's economy, including an explosive growth in its desire for high technology. As a result, the system suddenly strained to approve a record number of license applications.

As the backlog began to choke the system, the Chinese wondered aloud if the U.S. really meant what its president had said. And American companies seemed to gain less than their competitors in other nations, where government approval is quicker and the legal sanctions weaker.

By including both too many items and the wrong countries, the present system had made it harder to protect what really matters. For example, an ordinary word processor available in the U.S. can't be exported to China without a license. A license is even required for taking a single demonstration model to China, and the exporter must promise not to sell it or leave it there. All this takes time and adds to the exporter's expenses.

Within the U.S. government, the Commerce Department is the obligatory first stop for a license. If the exporter is lucky and the request routine, it may clear the request in less than a month—an average of 29 days, according to a recent Commerce Department study of its own procedures.

Despite Mr. Baldrige's personal role in breaking the logjam, the wheels of the Commerce Department still turn exceedingly slow. Requests I have observed personally have been lost, sent to the wrong office, returned because of minor problems in the way forms were filled out, and otherwise delayed somewhere in the system.

If the application presents any complications, other elements of the government get involved in the game. Two bureaus of the State Department, several parts of the Pentagon, the intelligence community, and sometimes the White House all may join in. At this point, federal government approval will require an average of 117 days, according to the same study.

Frustrating as the delays in Washington are, let the exporter consider himself lucky if his request doesn't require COCOM approval. The Paris-based organization is a nightmare of inefficiency and understaffing. Three particularly troublesome factors are at work.

First, each application must be unanimously approved by 15 nations, whose Paris-based representatives often cable home for instructions. Second, many observers suspect that some countries, especially Japan, may use delays within COCOM to give their own companies a chance to play catch-up. And third, although over 80% of the current applications before COCOM are for China, the widely publicized disagreement between Washington and most of our allies over exports to the Soviets has led some of the Europeans, in retaliation for the denial by Washington of

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2.

export licenses where the Soviet Union is concerned, deliberately to sit on American requests for licenses to China.

This results in an average delay of 283 days on applications that must pass COCOM after clearing the U.S. agencies. No wonder that a former Commerce Department political appointee, now working for a Los Angeles law firm specializing in such cases, recently told me, "We never let anything go into the system without one of our own lawyers walking it through every step of the way."

In the past few weeks, at meetings in Paris, COCOM members have discussed further streamlining of the system as it applies to China. This is welcome but insufficient. The current system invites deception, corner-cutting and end-runs.

Clearly, the process of controlling exports to China must be changed. The starting point should be to take China off the list of "proscribed destinations" that COCOM oversees.

Objections will be raised that this change would destroy COCOM. But we have never even attempted to discuss this step with our allies because of internal opposition within the U.S. government. COCOM was created a generation ago in entirely different circumstances, and now should be focused exclusively on the task for which it was created—stopping hi-tech leakage to the Soviets. At the same time, we should insist that Cuba and Vietnam be added to the list of countries that fall under COCOM review. Otherwise, surely, there is an element of mockery about the whole system.

Within the U.S. government, responsibility for exports to China should be vested with a single desk in either the Commerce Department or the State Department, augmented with experts from other agencies. Such a "one-stop facility" would take fewer people. And vested with the authority now scattered all over Washington, it would help American business.

At the same time the rules should be simplified. Clear-cut criteria should be

published, after coordination with our allies, stating what can be exported to China with automatic and rapid approval, and these criteria must be updated regularly to take into account the changing face of technology. Multinational review of exports to China should take place through a mechanism entirely separate from COCOM, perhaps using the China desks of the various foreign ministries.

Paid Them Too Much Heed

The president and the secretary of Commerce should establish a reasonable but strictly enforced time limit for the internal review of every application. Failure to act within the established time limit should trigger automatic procedures designed to favor the exporter, not the bureaucracy. And Congress, which has the Export Administration Act under review, should consider codifying such time limits when it rewrites the law.

There are many within the federal bureaucracy who will advance complicated and sophisticated reasons not to consider the changes suggested above. I heard some of their objections myself at one time and unfortunately paid them too much heed. But policy should shape structure, not the other way around. And if a stalemate within the federal bureaucracy is such that reform from within is not possible, then Congress should rewrite the laws to meet the new circumstances of the 1980s.

We are constantly asking ourselves how we can become more competitive internationally. Here is one way, without risking our national security—indeed, while enhancing it by concentrating our attention more on the Soviets and less on the Chinese. It is the logical next step in the dramatic evolution of our relations with China. All it takes is that rarest of all qualities in Washington, leadership.

Mr. Holbrooke is a senior adviser to Shearson Lehman Brothers. He has participated in assisting American companies in obtaining export licenses to China.